

KENTUCKY ECONOMIC INDICATORS

February 2008 as of April 23, 2008

KY Composite Index of Leading Indicators decreased by 3.8 percent in February.

- The Leading Index has decreased for the first time in 2008.
- Year-over-year the index declined by 0.5 percent.
- The component indicators were all negative for February, 0:5.
 - KY Labor Intensity Index decreased 0.7 percent.
 - KY Index of Initial UI Claims decreased by 8.4 percent.
 - US Retail Sales decreased by 4.2 percent.
 - US Manufacturer's New Orders Index decreased by 20.7 percent.
 - Louisville Help Wanted Index decreased by 1 point to 18.

Component weights for February are 69.0, 13.1, 11.8, 4.9 and 1.2 respectively.

KY Composite Index of Coincident Indicators decreased by 2.9 percent in February.

- The Coincident Index is negative for the first time since October 2007.
- Year-over-year growth is positive for the fifty-fifth consecutive month at 1.0 percent.
- Component indicators leaned negative, 1:2.
 - KY Nonagricultural Employment decreased 0.6 percent.
 - US Industrial Production Index decreased 8.5 percent.
 - + US Personal Income Less Transfers increased 0.7 percent.

Component weights for February are 37.7, 31.4 and 18.4 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

The Kentucky Leading Index fell 3.8 percent in February. The index has lost a full point since June 2007, which was the beginning of the last trio of consecutive monthly changes for the index. As the index and the prescription for the reference series are currently in a state of contraction, we are now awaiting a period of three consecutive months of positive growth in the index for the next turning point. The US Leading Index was negative for the fifth consecutive month in February. The third month in the first trio of consecutive declines for the US was in December 2007, while the third month of the trio for Kentucky was in August 2007. This could indicate that the contraction period for the Kentucky reference series should occur sooner than for the US as a whole.

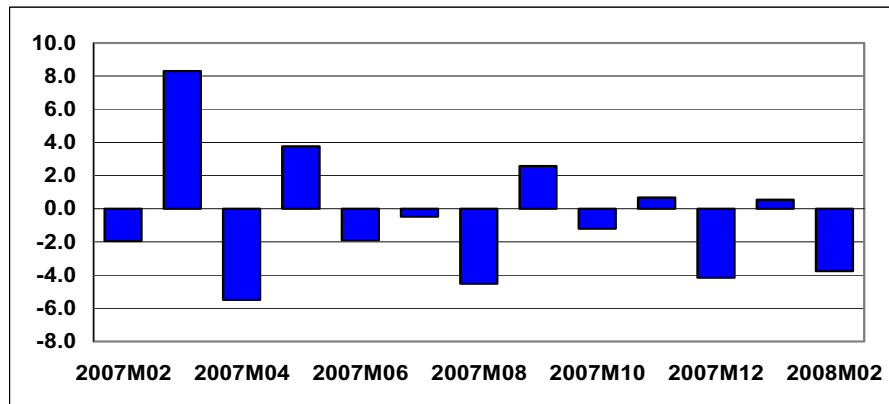
The Kentucky Labor Intensity Index was down 0.7 percent for February. This is just the second time in six months that the index has fallen. All of the revisions for employment by the Bureau of Labor Statistics and the Conference Board have now been included in the history. It is now conclusive that the index fell substantially in December 2007, both in comparison to adjacent months and in comparison to December 2006. Now again in February 2008 the Kentucky Labor Intensity Index lies below where it was 12 months ago. The Kentucky Labor Intensity Index makes up almost 70 percent of the Kentucky Leading Index. The revised Kentucky Labor Intensity Index for June 2007 through August 2007 were also all negative. The declines were all small to moderate, but contributed to the trio of negatives in the Kentucky Leading Index during that period.

The Kentucky Index of Initial Unemployment Insurance Claims fell by 8.4 percent in February. The index has been very erratic in the last 24 months and increased in variance over the last six months. The magnitudes during four of the last five months have been double digits. Both components of the index rose for February. The Kentucky component, Kentucky First Payments, increased by a much stronger amount than the US component, US Initial Claims. Kentucky First Payments rose by 1,409 seasonally adjusted persons, a 16.9 percent increase, who received their first payment during a new unemployment benefit year. The US Initial Claims rose by 6,800 seasonally adjusted persons, a 2.0 percent increase. Initial Claims is the sum of new applications (those persons who are receiving their first payment from the unemployment system ever) and additional applications (those persons who are receiving an unemployment payment and have already received at least one payment during that benefits year).

The Louisville Help Wanted Index continues to fall. The index reached a new all-time low in February with a measure of 18, down a point from January. The Louisville Help Wanted Index never showed any substantial recovery after the 2001 recession. There were two very brief periods where the index showed some small growth, in the period towards the end of 2001 and beginning of 2002 and also the second half of 2005. Neither of these growth periods were sustained and it could be argued that it (alone) predicted a false contraction turning point after the official expansion period began in 2002. This series will be carefully evaluated during the next round of testing. Sadly, the best alternative series, the Online Help Wanted Index still lacks sufficient historical data to generate a reliable variance and for test against existing turning points.

The Conference Board revised several key series as of April 17, 2008. US Manufacturer's New Orders both for non-defense capital goods and consumer goods, US Initial Claims for Unemployment Insurance, and the US Industrial Production Index were all revised in absolute magnitudes. The growth rates necessarily changed, but they maintained their month-to-month signs and stayed very close to the original magnitude of change. The biggest change to the US Leading Index was in the re-indexing of the series to 2004=100.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **KY Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals and transportation equipment.
- **KY Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Retail Sales:** During turning points in the Kentucky economy, U.S. Retail Sales was not strictly concave or convex to the origin. For this reason inflexion points were used to test turning points in the U.S. Retail Sales series. U.S. Manufacturing and Trade Sales performed better than U.S. Retail Sales in testing, but because U.S. Manufacturing and Trade Sales was not published in a timely manner it had to be removed from the Kentucky Leading Index.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2007						2008						
	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB
KY Leading Index (1992=100)	112.5	113.3	112.7	113.1	112.9	112.9	112.4	112.7	112.5	112.6	112.2	112.3	111.9
% Chg Previous Month SAAR	-1.9	8.3	-5.5	3.8	-1.9	-0.5	-4.5	2.6	-1.2	0.7	-4.2	0.5	-3.8
% Chg Same Month Last Year	-0.6	0.0	-0.4	0.3	-0.1	0.0	-0.1	-0.1	0.0	0.1	-0.9	-0.4	-0.5
KY Leading Index Diffusion Index	66.7	70.0	63.3	70.0	56.7	60.0	56.7	60.0	63.3	60.0	63.3	66.7	63.3
KY Coincident Index (1992=100)	135.3	135.4	135.6	135.7	136.0	136.3	136.4	136.6	136.6	136.8	136.9	136.9	136.6
% Chg Previous Month SAAR	3.5	1.4	1.5	1.3	2.6	2.5	0.6	2.0	-0.4	2.0	1.0	0.1	-2.9
% Chg Same Month Last Year	1.5	1.4	1.5	1.7	1.6	1.9	1.8	1.9	1.6	1.7	1.4	1.5	1.0
KY Non-farm Employment (000s)	1,859.0	1,862.7	1,863.2	1,869.1	1,871.1	1,869.3	1,868.4	1,870.8	1,874.5	1,877.9	1,880.0	1,881.5	1,880.5
% Chg Previous Month SAAR	-0.6	2.4	0.3	3.9	1.3	-1.1	-0.6	1.6	2.4	2.2	1.4	1.0	-0.6
% Chg Same Month Last Year	0.9	0.7	1.1	1.3	1.4	1.5	1.1	1.2	1.5	1.5	1.0	1.2	1.2
KY Private Services Employment (000s)	1,174.6	1,179.5	1,176.7	1,182.1	1,182.9	1,181.5	1,181.8	1,180.5	1,185.4	1,186.9	1,188.8	1,195.1	1,194.3
% Chg Previous Month SAAR	-1.4	5.2	-2.9	5.6	0.9	-1.5	0.3	-1.3	5.1	1.6	2.0	6.5	-0.9
% Chg Same Month Last Year	1.7	1.4	1.6	1.9	1.9	1.9	1.8	1.6	1.7	1.5	1.2	1.6	1.7
KY Mfg Employment (000s)	258.9	255.4	257.9	257.8	258.3	256.3	252.8	254.8	253.9	253.1	250.7	250.6	250.4
% Chg Previous Month SAAR	0.0	-15.1	12.4	-0.5	2.4	-8.9	-15.2	9.9	-4.2	-3.7	-10.8	-0.5	-1.0
% Chg Same Month Last Year	-1.4	-2.9	-1.8	-1.5	-1.4	-1.3	-3.4	-2.3	-0.9	-0.9	-3.3	-3.2	-3.3
KY Unemployment Rate (%)	5.7	5.6	5.5	5.6	5.5	5.5	5.5	5.4	5.4	5.1	5.3	5.2	5.3
KY Index of Initial UI Claims (1992=100)	102.7	103.8	103.0	103.9	103.7	104.1	103.4	103.8	101.4	102.9	101.4	102.9	102.2
% Chg Previous Month SAAR	-10.7	13.9	-8.6	11.0	-3.0	4.3	-7.1	4.8	-25.0	20.0	-16.8	20.2	-8.4
% Chg Same Month Last Year	-1.9	-0.3	-1.4	0.9	-0.2	0.6	1.0	1.1	-1.7	0.2	-2.1	-0.7	-0.5
KY Labor Intensity Index (1992=100)	104.8	104.6	104.8	104.9	104.9	104.8	104.6	104.7	105.0	105.0	104.7	104.7	104.7
% Chg Previous Month SAAR	0.1	-1.7	2.3	1.1	-0.1	-0.9	-1.9	0.8	3.6	0.1	-3.5	0.2	-0.7
% Chg Same Month Last Year	-0.4	-0.6	-0.2	0.0	-0.1	-0.1	-0.3	-0.2	0.4	0.5	-0.1	0.0	-0.1
Louisville HWI (1992=100)	31.0	43.0	29.0	30.0	28.0	23.0	22.0	23.0	23.0	19.0	20.0	19.0	18.0
% Chg Previous Month SAAR	-76.7	4,973.2	-99.1	50.2	-56.3	-90.6	-41.3	70.5	0.0	-89.9	85.1	-46.0	-47.7
% Chg Same Month Last Year	-26.2	7.5	-27.5	-14.3	-24.3	-32.4	-31.3	-34.3	-36.1	-50.0	-52.4	-45.7	-41.9
GF Total Tax Receipts (\$ mil)	544.3	652.7	671.9	784.7	788.6	608.6	566.5	822.3	639.4	624.7	822.3	724.3	564.7
% Chg Same Month Last Year	7.1	9.1	-11.2	11.3	-2.5	5.2	2.4	-1.5	1.5	-1.0	-6.7	6.1	3.8
GF Sales & Use Receipts (\$ mil)	193.6	212.5	202.4	270.9	243.0	251.0	241.8	235.5	246.7	236.1	235.2	296.7	205.5
% Chg Same Month Last Year	1.3	3.9	-12.2	15.1	5.3	0.7	4.9	5.1	1.7	5.5	-1.5	3.7	6.2
GF Income Tax Receipts (\$ mil)	227.1	204.0	283.4	337.8	289.0	249.2	240.6	332.9	265.6	236.9	295.4	272.7	235.0
% Chg Same Month Last Year	14.1	19.0	-16.7	58.6	11.4	9.0	5.8	18.1	6.9	-2.3	9.7	34.9	3.5

**SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2008												2008	
	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	
US Leading Index (2004=100)	103.7	104.1	103.9	104.0	103.9	104.6	103.6	103.7	103.2	102.7	102.6	102.2	101.9	
	-3.4	4.7	-2.3	1.2	-1.1	8.4	-10.9	1.2	-5.6	-5.7	-1.2	-4.6	-3.5	
	-0.7	-0.5	-0.5	0.3	0.0	0.9	0.3	0.0	-0.7	-1.1	-1.7	-1.7	-1.7	
US Coincident Index (1996=100)	106.1	106.3	106.4	106.5	106.6	106.9	107.1	107.2	107.3	107.2	107.2	107.2	107.0	
	2.3	2.3	1.1	1.1	1.1	3.4	2.3	1.1	1.1	-1.1	0.0	0.0	-2.2	
	1.6	1.7	1.6	1.8	1.7	1.9	1.9	1.9	1.6	1.5	1.1	1.2	0.8	
US Non-farm Employment (Mil.)	137.1	137.3	137.4	137.5	137.6	137.7	137.8	137.8	138.0	138.0	138.1	138.0	137.9	
	0.2	1.6	0.4	1.4	0.9	0.5	0.6	0.7	1.2	0.5	0.4	-0.7	-0.7	
	1.3	1.2	1.2	1.3	1.3	1.1	1.0	1.0	1.0	0.9	0.8	0.7	0.6	
US Service-Providing Employment (Mil.)	114.8	114.9	115.1	115.2	115.4	115.4	115.6	115.7	115.9	116.0	116.1	116.1	116.1	
	1.6	1.4	1.1	2.0	1.2	0.9	1.5	1.2	1.9	1.2	1.2	-0.1	0.1	
	1.7	1.6	1.6	1.8	1.8	1.6	1.6	1.5	1.6	1.4	1.4	1.3	1.1	
US Manufacturing Employment (000s)	13,988.0	13,953.0	13,922.0	13,910.0	13,890.0	13,884.0	13,844.0	13,822.0	13,797.0	13,794.0	13,772.0	13,737.0	13,691.0	
	-2.3	-3.0	-2.6	-1.0	-1.7	-0.5	-3.4	-1.9	-2.1	-0.3	-1.9	-3.0	-3.9	
	-1.6	-1.8	-2.1	-2.0	-2.2	-2.1	-2.2	-2.2	-2.1	-1.9	-1.9	-2.0	-2.1	
US Unemployment Rate (%)	4.5	4.4	4.5	4.5	4.6	4.7	4.7	4.7	4.8	4.7	5.0	4.9	4.8	
US Manufacturer's New Orders Index (1996=100)	126.2	129.7	130.5	128.3	129.6	133.4	128.8	128.2	128.2	128.2	129.5	125.7	123.3	
	5.1	39.4	6.7	-17.9	12.7	41.0	-34.4	-4.9	-0.7	0.5	12.3	-29.6	-20.7	
	-4.7	-4.0	-1.4	-2.9	-2.1	1.7	-0.5	-3.0	-0.7	-0.6	-2.1	0.0	-2.3	
US Initial Claims for UI (000s)	324.8	311.3	321.3	308.5	318.5	308.7	325.3	318.4	330.0	341.0	344.6	339.2	346.0	
	45.0	-39.9	46.1	-38.6	46.6	-31.3	87.5	-22.7	53.6	48.2	13.4	-17.3	26.9	
	10.0	2.6	4.7	-7.2	3.2	-2.4	2.7	-0.3	4.4	3.9	7.5	7.7	6.5	
US Industrial Production Index (1992=100)	110.5	110.4	111.0	111.0	111.4	112.0	112.0	112.3	111.8	112.3	112.4	112.6	111.8	
	8.4	-1.2	6.1	0.2	4.3	7.2	-0.3	3.1	-4.5	5.2	1.6	1.5	-8.5	
	1.6	1.3	1.4	1.5	1.4	1.7	1.6	2.2	1.9	2.5	2.1	2.6	1.1	
US Personal Income Less Trans. (Bil. 2000 chnd)	8,406.7	8,439.9	8,419.1	8,411.2	8,441.7	8,469.9	8,504.4	8,522.0	8,530.1	8,514.2	8,514.9	8,485.5	8,490.2	
	6.5	4.8	-2.9	-1.1	4.4	4.1	5.0	2.5	1.1	-2.2	0.1	-4.1	0.7	
	3.7	4.0	3.6	3.9	3.6	4.3	4.7	4.1	2.6	2.0	1.8	1.5	1.0	
CPI, All Urban (1982-84=100)	204.2	205.1	205.8	206.7	207.2	207.7	207.7	208.5	209.1	210.9	211.7	212.5	212.6	
	3.6	5.7	3.9	5.7	3.2	2.7	0.2	4.5	3.2	11.3	4.4	4.8	0.3	
	2.4	2.8	2.6	2.7	2.6	2.4	1.9	2.8	3.5	4.4	4.1	4.4	4.1	
US Retail Sales (\$Billions)	370.0	374.0	371.7	377.7	374.7	376.9	377.2	380.2	380.3	383.4	380.7	382.2	380.8	
	8.1	13.8	-7.4	21.3	-9.0	7.2	0.9	10.2	0.4	9.9	-8.0	4.8	-4.2	
	3.8	4.7	2.8	5.1	4.0	3.7	3.6	5.0	4.8	5.6	3.4	4.0	2.9	
US Consumer Expectations (1966=100)	81.5	78.7	75.9	77.6	74.7	81.5	73.7	74.1	70.1	66.2	65.6	68.1	62.4	
	-57.9	-34.3	-35.3	30.4	-36.7	184.5	-70.1	6.7	-48.6	-49.7	-10.4	56.6	-65.0	
	9.4	3.6	3.4	13.8	3.8	12.4	8.4	-5.2	-17.3	-20.4	-19.2	-22.3	-23.4	
Ave. Prime Interest Rate (% , NSA)	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.03	7.74	7.5	7.33	6.98	6	